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Tobacco Industry Profile 1990

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All data for calendar year 1989, unless otherwise stated

■ Consumption

Total U.S. consumption including overseas armed forces was:

- **540 billion cigarettes**
- **2.5 billion large cigars and cigarillos**
- **1,162 million little cigars**
- **19.5 million pounds of pipe and roll-your-own tobacco**
- **74.6 million pounds of chewing tobacco**
- **49.7 million pounds of snuff**

The output of cigarettes from U.S. factories was 675 billion. Of the total, 6.5 billion cigarettes were shipped to overseas forces, 800 million to Puerto Rico and other U.S. possessions and 141.8 billion to other countries.

Per-capita U.S. cigarette consumption, based on population 18 and over, declined to 2,926. Record high was 4,345 in 1963.

■ Expenditures

U.S. expenditures for tobacco products were estimated at $40.9 billion, a record high and an increase of more than $3.1 billion over 1988. More than $38.8 billion, or 95 percent of the money spent for tobacco products, was for cigarettes.

■ World Production

World production of tobacco was estimated at 6.3 million metric tons.

The leading leaf producing nations in 1989 were: China (2,886,150), U.S. (698,400), India (445,150), Brazil (440,000), U.S.S.R. (242,000), Turkey (186,100), Italy (177,000), Indonesia (155,500), Greece (150,300), Zimbabwe (132,500).

■ U.S. Tobacco Production

Tobacco Growers

Tobacco was grown on an estimated 136,000 farms in 23 American states and in Puerto Rico. The federal government issued 414,241 allotments to grow tobacco in 1989. The allotment total is larger than the number of farms because some farms are given allotments for more than one type of tobacco.

The acreage harvested was 679,600, up 8 percent from 1988, with a yield of 2,016 pounds per acre. The total U.S. harvest was 1.4 billion pounds, a slight increase from 1988.

The types of tobacco grown in 1989 include flue-cured, 806.1 million pounds; burley, 525.7 million; Southern Maryland, 17.8 million; fire-cured, 31.4 million; dark air-cured, 8.3 million; and all cigar types, 24.9 million.

Tobacco growing requires about 250 man-hours of labor per acre harvested. By comparison, it takes about three man-hours to grow and harvest an acre of wheat. The more than one-half million farm families involved directly and indirectly in producing tobacco in the U.S. were aided by additional seasonal workers.

Tobacco Sales

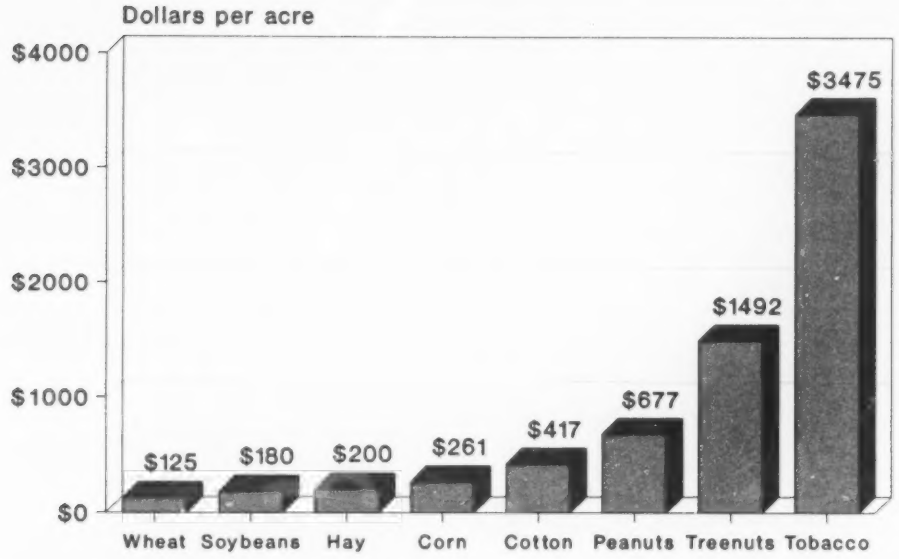
Nearly all of the nation's tobacco was sold at auction in 163 designated markets. The small remainder was sold directly from farms or by farmers' cooperatives.

The average price of the 1989 crop was $1.69 per pound, a 6-cent increase from 1988.

Crop Income

Tobacco was the seventh largest cash crop, behind corn, hay, soybeans, wheat, cotton and potatoes. The tobacco crop was worth almost $2.4 billion, representing more than 3 percent of the total for all cash crops and farm commodities. Estimates of these cash receipts from the 1989 tobacco crop were:

Farm Value per Acre for Selected Crops 1990



Statistical Reporting Service, USDA

(millions of dollars)			
North Carolina	898	Pennsylvania	23
Kentucky	494	Florida	20
South Carolina	162	Ohio	18
Tennessee	147	Indiana	15
Virginia	142	Massachusetts	11
Georgia	140	Wisconsin	10
Connecticut	32	Missouri	6
Maryland	30	West Virginia	4

Tobacco is also grown in Alabama, Arkansas, Illinois, Kansas, Louisiana, Minnesota, New Mexico and the Commonwealth of Puerto Rico.

■ Manufacturing

Factories

In FY 1989, 129 factories in 19 states had federal permits to manufacture tobacco products. The concentration was in the southeast and mid-Atlantic states.

In FY 1989, 218 warehouses in 30 states were authorized by the U.S. government to export tobacco. Federal permits to manufacture cigarette papers and tubes were issued to 9 establishments in 5 states.

Employment

An estimated 49,400 persons were employed in tobacco manufacturing during 1989 on a monthly average basis, representing hundreds of millions in payroll dollars. The 39,600 on the production lines in the average month earned $591.69 a week for a 38.5 hour week.

Of all the manufacturing employees, about 73 percent, or approximately 35,900, were employed by cigarette manufacturers. Almost three-fourths of the production workers, or 26,400 employees, were involved in cigarette-making. The rest worked in other aspects of tobacco manufacture, including stemming and redrying the leaf.

■ Sales

Retail

An estimated 1.5 million retail outlets distributed tobacco products. This included more than 345,000 individual vending machines, plus family-owned stores, and tobacco departments of large chain-operated stores. Related employment numbered in the millions.

■ Supply Network

Related Industries

Dependence on a complex industrial and service network greatly extended the contributions of tobacco to the nation's economy. The need for farm and manufacturing materials, supplies and equipment, as well as services ranging from transportation to advertising, provided employment for additional millions and added billions of dollars to personal and business income in all the states.

Exports and Imports

The U.S. was the leading exporter and importer of tobacco. In 1989, the value of U.S. exports of leaf and manufactured tobacco products was $4.94 billion, 19 percent above 1988. Imports were valued at approximately $550.4 million, a rise of 1 percent. The difference represented a positive contribution of $4.33 billion to the U.S. balance of payments in calendar year 1989, an 18 percent increase from the previous year.

Leaf

Approximately 225,033 metric tons of unmanufactured leaf tobacco, valued at $1.34 billion, were exported. Leading markets for U.S. leaf were Japan, West Germany, the Netherlands, Italy and Hong Kong.

Imports of unmanufactured leaf totaled 180,287 metric tons--down 8 percent from 1988--and were valued at $550.4 million, a 1 percent decrease from 1988.

About 51.5 percent of the leaf imported, or 83,068 metric tons, was oriental, for use in domestic cigarettes. Turkey continued to be the major supplier of oriental leaf, followed by Greece and Yugoslavia.

Products

The value of exported manufactured products in 1989 was $3.6 billion, 25 percent above 1988. The value of imported manufactured products, at $87.7 million, was up 2 percent.

Cigarettes

Approximately 141.8 billion cigarettes were exported in 1989 to 146 countries, up 20 percent in quantity from 1988. They were valued at $3.4 billion. The leading destinations were Japan, Belgium-Luxembourg, Hong Kong and United Arab Emirates.

About 2.6 billion foreign cigarettes, valued at $48.8 million, were imported.

Other Products

Cigar and cheroot exports included 22.4 million units, valued at $6.7 million.

About 128 million units of foreign cigars and cheroots were imported with a value of $43.8 million. Exports of pipe and roll-your-own tobacco in bulk decreased 4 percent to 27,690 metric tons with a value of $2.1 million, a 5 percent increase from 1988. Exports also included 414 metric tons of snuff and chewing tobacco worth $2.6 million--down 26 percent in value from 1988.

Shipping

Almost 94 percent of all leaf tobacco exported was shipped from the East. Major custom district ports were:

	Metric Tons	Value (thousands)
Norfolk, VA	117,500	685,637
Wilmington, NC	56,193	318,695
Charleston, SC	15,700	81,673
Los Angeles, CA	11,538	66,098
Seattle, WA	6,868	43,953
Baltimore, MD	5,042	45,079
Savannah, GA	4,128	19,360
New Orleans, LA	2,002	7,680
New York, NY	1,725	14,893
San Juan, PR	1,166	39,845

Cigarettes accounted for over 94 percent of the value of manufactured tobacco products exported. Major ports shipping cigarettes overseas were:

	Units (billions)	Value (millions)
Norfolk, VA	46.2	1,289
Los Angeles, CA	35.2	645
Seattle, WA	27.0	698
Charleston, SC	9.4	212
New York, NY	5.2	114
Savannah, GA	5.2	91
Baltimore, MD	4.3	125
Miami, FL	3.0	63
San Francisco, CA	2.0	39
Portland, OR	0.8	15

■ Government Receipts from Taxes

Tobacco Taxes

About 30 percent of the receipts from domestic civilian retail sales of tobacco products went to federal, state and local treasuries in the form of excise and sales taxes. These totaled more than $11 billion in FY 1989 (ending June 30).

Federal, state and local governments collected more than $9.8 billion alone in excises on all tobacco products in FY 1989. Cigarette taxes represented 98 percent, or $9.6 billion.

Federal, state and local excises on other tobacco products totaled $1.7 billion.

Since 1863, when cigarettes were added to the tobacco products taxed by the federal government, governments at all levels have collected over $224.7 billion in tobacco taxes. Cigarettes have accounted for 95.2 percent of that, or $213.9 billion.

Federal

In FY 1989, the federal government's share was $4.3 billion. Cigarette taxes accounted for almost 98 percent. $98.7 million in taxes on other tobacco products were collected.

State

All states impose excises on cigarettes; 31 also tax cigars and smoking or chewing tobacco, snuff or a combination.

Total state tobacco tax revenue in FY 1989 was $5.1 billion, nearly 98 percent of which came from cigarette excises. About $119.2 million was collected on other tobacco products. The states' cigarette excises ranged from 2 to 40 cents per pack.

Local

Tobacco taxes in 407 cities and counties yielded over $191.6 million in FY 1989. Of that amount, $191.3 million, or 99.8 percent, resulted from taxes on cigarettes. Seventy local governments also collected $315,950 from taxes on other tobacco products.

▪ Government Tobacco Programs

Farm Quotas

USDA continued in 1989 to administer laws to stabilize tobacco production and assure the grower fair prices. Most tobacco farmers, through periodic referenda, favored marketing quotas. Because of the production controls, less tobacco was produced and prices were higher than would be likely without them.

Loans

With grower approval of marketing quotas for a tobacco type, price supports for it were mandatory. Under the program, the Commodity Credit Corporation (CCC) made loans to farmers through their cooperative associations, with the tobacco as collateral. The associations handled and sold the tobacco, repaying loans as the tobacco was sold. The realized cost of the tobacco program since its start in 1933 was about 0.1 percent of the cost for all 13 farm commodity price support programs. In FY 1989, loan repayments totaled $418 million, while new loans totaled $51 million, which is expected to be repaid with interest to CCC as the collateral tobacco is sold by the associations.

In 1982 Congress revised the price support program--requiring tobacco farmers to pay into a fund to offset any losses--to assure that its continued operation will be at no cost to the American taxpayer.

Grading

USDA's Agricultural Marketing Service (AMS) inspected and graded all tobacco before auction. Government grade standards were the basis for CCC loans. Beginning in FY 1982, tobacco farmers paid user fees for grading. In FY 1989, AMS collected $7.5 million from tobacco farmers, including investments. Daily market news reports informed growers of prices and market conditions. This service cost $742,000 in FY 1989.

▪ Tobacco's Contribution to America's National Economy

In 1989, Price Waterhouse performed an analysis of the U.S. tobacco industry to determine its impact on America's economy during 1986.

Based on that analysis, it is estimated that the tobacco core sectors in the U.S. economy generated $37.3 billion of the Gross National Product in 1986 and employed 700,883 persons to produce and deliver tobacco products and associated goods and services.

The tobacco industry's estimated spending-induced impact on America's GNP was $59.9 billion--far more than expenditures on tobacco products alone. This impact was generated by tobacco industry workers' expenditures on goods and services of other, non-tobacco, business sectors throughout the U.S.

The Price Waterhouse study shows, in 1986, tobacco industry activities in all 50 states resulted in these estimates:

	1986	
	Core and Supplier	**Spending-Induced**
- **GNP**	**$37.3 billion**	**$59.9 billion**
- **Jobs**	**700,883**	**1,647,063**
- **Compensation**	**$14.4 billion**	**$37.5 billion**
- **Federal, state and local taxes**	**$16.5 billion**	**$17.1 billion**

SOURCES: U.S. Department of Agriculture: Agricultural Marketing Service and Financial Management Division; Agricultural Stabilization and Conservation Service, *History of Budgetary Expenditures of the Commodity Credit Corporation Fiscal Year 1980-1989 actual;* Economic Research Service, *Tobacco Situation and Outlook;* Foreign Agricultural Service, *World Tobacco Situation;* Statistical Reporting Service, *Crop Production 1989 Summary, Crop Values 1989 Summary, Noncitrus Fruits and Nuts 1989 Mid-Year Supplement.*

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National Association of Tobacco Distributors, 1199 N. Fairfax Street, Alexandria, VA 22314.

U.S. Department of Treasury: Bureau of Alcohol, Tobacco and Firearms.

Price Waterhouse, Washington, DC.

The Tobacco Institute: *The Tax Burden on Tobacco,* Vol. 24, 1989, 1875 I Street NW, Washington, DC 20006.

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